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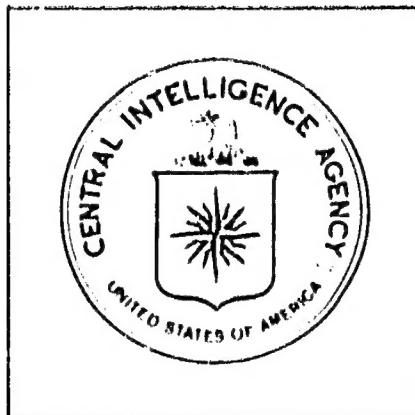
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STAFF NOTES:

Soviet Union Eastern Europe

State Department review completed

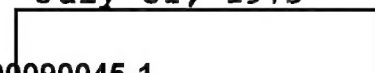
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166
July 31, 1975



25X1

Approved For Release 2005/04/19 : CIA-RDP86T00608R000400090045-1

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SOVIET UNION - EASTERN EUROPE

25X1

CONTENTS

July 31, 1975

The Ford Visit to Romania.	1
Soviets See Beginning of US Economic Recovery.	4

25X1

Philippines-USSR: Progress Toward Relations.	7
Trans-Siberian Railroad To Relocate?	9

25X1

The Ford Visit to Romania

Party chief and President Ceausescu undoubtedly views President Ford's visit this weekend as further evidence of Bucharest's success in carving out a degree of economic and ideological independence of the Soviet Union.

Romanian news media have enthusiastically prepared the way for the presidential talks by lauding US-Romanian relations as an example for all states--whatever their differences in size and political system--which sincerely want ties based on trust and respect. The current visit is seen as an important part of the relationship, and Ceausescu clearly hopes to establish the same personal rapport with President Ford that he had with former president Nixon.

The timing of the presidential visit could hardly be better. It comes on the heels of congressional action opening the way for most-favored-nation tariff status for Romania. Furthermore, Ceausescu's unusually defensive remarks to a recent plenum of the party's central committee suggest that he hopes the President's visit will boost his own prestige at home. Because Romania needs an economic shot in the arm, Ceausescu surely will press for concessionary credits, agricultural aid, and other assistance to facilitate his country's recovery from recent devastating floods.

25X1

July 31, 1975

25X1

The Romanians have privately indicated that they plan to sound out the President on their proposals to buy or produce jointly selected items of US military hardware. Bucharest recently submitted a long list of requests for sophisticated military equipment.

Ceausescu is expected to stress the importance of a continued, active US involvement in European affairs in the post-CSCE summit period. Romania has consistently described the summit as merely the first step in building a lasting peace in Europe, and Ceausescu--with an obvious eye on relations between his country and the USSR--insists that the US has a critical role to play in Europe's future.

Bucharest is unhappy with some aspects of the European security conference, such as its failure to provide for an institutional follow-up to the summit, but Romanian commentaries are trying to put the best face possible on the meeting. In his talks with the President, Ceausescu will accent those points that most closely support the basic tenets of his regime's policies such as economic nondiscrimination and the prevention of the use of force to settle international disputes.

July 31, 1975

Ceausescu is pleased that Belgrade has been selected as the site of the 1977 meeting of senior government officials to review progress in implementing the European security agreement. The Romanians view the choice of the Yugoslav capital as focusing international attention on the Balkans and deterring Soviet meddling in the region.

25X1

July 31, 1975

25X1

-3-

Soviets See Beginning of
US Economic Recovery

During informal discussions at a joint US-USSR symposium in mid-June, several high-level Soviet economists acknowledged that the US recession has bottomed out and that economic recovery is under way. One economist even suggested that the current economic improvement could be sustained for the next two to three years, but predicted that the rate of economic growth would be low and the economy would be plagued by persistent unemployment and energy difficulties. Inflation was not mentioned as a major short-term US problem.

This prognosis is a marked departure from previous Soviet assessments and largely reflects contemporary Western analysis. Until early summer, the consensus in Moscow was that 1975, like the previous year, would be one of the worst economically in the entire postwar period. While a few Soviet economists had allowed for the possibility of a modest upturn in US economic fortunes during 1975, they did not expect the recovery to begin until the third quarter at the earliest.

The recent position taken on US economic prospects may not yet represent the predominant Kremlin viewpoint. It parallels closely a key development in current Soviet economic theory, however--the introduction of a fourth stage in "the general crisis of capitalism." According to senior economists of the Soviet Institute of World Economy and International Relations, this phase will be characterized by low rates of economic growth, a reduced standard of living

July 31, 1975

for portions of the population, and an unprecedented interweaving of cyclical and noncyclical crises--energy and raw materials, for example.

Another leading economist, attached to the CPSU Central Committee Institute, has endorsed this viewpoint and noted that under new US conditions, economic upswings will no longer automatically lead to the drying up of unemployment.

25X1

July 31, 1975

25X1

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Philippines-USSR: Progress Toward Relations

Manila and Moscow continue to move forward on the establishment of diplomatic relations and a trade agreement. President Marcos recently indicated, however, that a hitch may have developed in the timing of his state visit, and this could set back the timetable.

25X1

The only potential problem raised thus far is the timing of the Marcos' visit. The Soviets have already told Manila that August would be inconvenient because most top Soviet officials generally are on vacation. Marcos has told the US ambassador that if he cannot go in August, he will delay the trip until next year. Marcos did not give any convincing reasons why he could not go to Moscow after August, and his comment to the ambassador may have reflected pique at the Soviets. Manila would appear to have little to gain by stalling until next year. For their part, the Soviets will undoubtedly make an honest effort to accommodate Marcos' desires because they are eager to have a state visit by a Southeast Asian leader to counterbalance the well-publicized trips to China by many Asian statesmen.

25X1

July 31, 1975

25X1

Marcos has repeatedly stressed his desire to maintain balanced relations with Peking and Moscow. Postponement of his trip until next year would certainly be regarded by both China and the Soviet Union as evidence of a considerable tilt toward Peking.

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25X1

July 31, 1975

25X1

Trans-Siberian Railroad To Relocate?

Moscow has allegedly decided to relocate portions of the Trans-Siberian Railroad away from the Chinese border and build cities along the new route,

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[REDACTED]
[REDACTED] No further details concerning the relocation were made available, except that the Soviet government had determined that US technology is needed for the project.

Currently, large portions of the Trans-Siberian Railroad, which provides the main land link with the Soviet Far East, lie within 100 miles of the Chinese border. Relocation would lessen the railroad's strategic vulnerability, and be in line with Moscow's determination to push rapid economic development in the Eastern USSR. Nevertheless, there are strong arguments against the project being undertaken. Not the least of these is that the massive construction effort required would impede construction of the Baykal-Amur Railroad, which when finished will achieve the same purpose as the relocation.

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July 31, 1975